

Internal Revenue Service
District Director

Department of the Treasury
Box 36001, MS: SF-4446
San Francisco, CA 94102

Person to Contact:

Telephone Number:

Refer Reply to:

EIN:

Date: APR 06 1992

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986.

We have also considered whether you are qualified for exemption from Federal income tax as a social welfare organization described in section 501(c)(4) of the Code.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

You were formed to purchase the mobile home park from the owner if and when the park is for sale. You have conducted a park survey to determine if the homeowners would be interested in purchasing the park from the owner.

Section 501(c) of the Code describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(3) Corporations, and any community chest, fund, or foundation organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office."

"(4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes."

The Income Tax Regulations applicable to section 501(c)(3) of the Code provide that an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If it fails to meet either the organizational or the operational test, it is not within the purview of the statutes.

Regulations section 1.501(c)(3)-1(c)(2) states "an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals."

Regulations section 1.501(a)-1(c) states "the words 'private shareholders or individuals' in section 501 refer to persons having a personal and private interest in the activities of the organization."

An organization is not organized or operated exclusively for one or more of the purposes specified in section 501(c)(3) unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Section 1.501(c)(4)-1(a) of the Regulations provides that a civic league or organization described in section 501(c)(4) of the Code may be exempt if it is not organized or operated for profit and is operated exclusively for the promotion of social welfare. The Regulations describe social welfare as promoting in some way the common good and general welfare of the people of the community. A section 501(c)(4) organization is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 73-349, 1973-2 C.B. 179, provides that an organization formed to represent member tenants of an apartment complex in negotiations with landlords, in litigation, and before local and Federal regulatory agencies with respect to matters of mutual concern to the tenants does not qualify for exemption under section 501(c)(4) of the Code.

[REDACTED]

Revenue Ruling 73-349 may be distinguished from Revenue Ruling 80-206, 1980-2 C.B. 185, where an organization was formed to promote the legal rights of tenants in a particular community. To accomplish this objective, it published newsletters, conducted public meetings, operated an information center, and regularly testified before administrative and legislative bodies to present the views of the tenants.

Revenue Ruling 73-349 is distinguishable because the organization's activities are directed primarily toward benefitting its member-tenants rather than all tenants in the community, as in Revenue Ruling 80-206.

Most of your activities are designed with the interest of your incorporators and/or membership in mind rather than the general public. Therefore, it is our determination that you are not operated exclusively for one or more exempt purposes and are not entitled to exemption from Federal income tax as an organization described in section 501(c)(3) of the Code. Furthermore, we have determined that because you benefit private, rather than public, interests you are not operating for one or more of the exempt purposes described in section 501(c)(4) of the Code. Consequently, you are not entitled to exemption under section 501(c)(4).

You agreed to this determination by signing Form 6018, Consent to Proposed Adverse Action, on [REDACTED].

You are required to file income tax returns annually with your district director.

Sincerely yours,

[REDACTED]
District Director